

PREPARED REBUTTAL TESTIMONY
OF
GLENN L. DAVIDSON
ON BEHALF OF
CENTRAL ILLINOIS LIGHT COMPANY
DOCKET NO. 00-0710
(REVISED)

00-0710
3.0 (Rev.)
CILCO
9/25/01
and

- 1 Q1: Please state your name and business address.
- 2 A1: My name is Glenn L. Davidson and my business address is 300 Liberty Street, Peoria,
3 Illinois, 61602.
- 4 Q2: Are you the same Glenn L. Davidson who previously submitted direct testimony in
5 this proceeding?
- 6 A2: Yes, I am.
- 7 Q3: What is the purpose of your rebuttal testimony?
- 8 A3: The purpose of my rebuttal testimony is to respond to Staff's proposed adjustments to
9 CILCO's PGA reconciliation statements. The first adjustment that I will address is
10 Staff witness Bonita Pearce's proposal "to reclassify management fee revenues . . . to
11 offset the recoverable cost of commodity gas charges through the PGA." This
12 proposed adjustment does not fit within the requirements of 83 Ill. Adm. Code 525.40.
13 Secondly, I will respond to Staff witness Dennis Anderson's proposal to disallow two
14 "unscheduled overrun penalty charges incurred by CILCO." With respect to the
15 charges incurred on May 14, 2000, ^{and on or about November 23, 2000,} CILCO does not oppose the proposed \$12,913 ^{and}
16 adjustment. ^{\$10,067} However, ~~for the reasons set forth later in my testimony and in the~~
17 ~~rebuttal testimony of CILCO witness Vern Maas, CILCO is entitled to recover the gas~~
18 ~~charges of \$10,067 incurred on or about November 23, 2000.~~

19 Q4. Would you please describe the nature of the “management fee revenues” that Staff
20 argues should “flow through the PGA?”

21 A4. These revenues result from charges, separate and apart from charges for gas supply, to
22 non-jurisdictional customers for services related to the management of the gas supply
23 obtained from CILCO. The management fees are charged because CILCO provides
24 pipeline rate analysis, daily and monthly pipeline balancing, nominations, scheduling
25 and metering. In one instance, the customer’s meter was added to CILCO’s SCADA
26 system, which is constantly monitored by CILCO Gas Control. CILCO also provides
27 pricing services to the customers. The charges for these services are not regulated and
28 the customers could obtain the services from a service provider other than CILCO.

29 Q5. Why are these revenues not properly included in the PGA?

30 A5. Section 525.40(d) of the Commission Rule only requires revenues to offset
31 recoverable gas costs “if any of the associated costs are recoverable gas costs as
32 prescribed by subsection (a) this Section.” The costs associated with the management
33 fee revenues that CILCO receives for the services provided are not recoverable gas
34 costs as defined in Section 525.40(a), which I have quoted below, and have not been
35 included for recovery through the PGA. The costs include the wages and related
36 overheads for the CILCO personnel performing the services as well as the depreciation
37 and return on investment for the equipment utilized to provide the service. If the
38 subject revenues are included in the PGA, then the associated costs that I have just
39 described should also be recovered through the PGA. However, these associated costs
40 do not come within the definition of “recoverable gas costs” contained in Section
41 525.40(a). Recoverable gas costs relate to payments to third-party suppliers for gas

42 commodities, storage services and "other out-of-pocket direct non-commodity costs .
43 . . required by pipeline suppliers to access supplies or services described in
44 subsections (a)(1) through (3) of this Section." Thus, if CILCO had paid the costs of
45 supplying these services to a pipeline supplier and recovered those costs in the PGA,
46 the revenues would be properly used to offset recoverable gas costs.

47 Q6. Have any revenues derived from the sale of gas to non-jurisdictional customers been
48 credited to the PGA to offset recoverable gas costs?

49 A6. Yes. Above and beyond the management services that CILCO provides, CILCO
50 supplies natural gas to the customer and collects a separate charge for supplying the
51 commodity. The costs of natural gas for this customer were included in the PGA and
52 in accordance with Section 525.40 the revenues derived from these sales were credited
53 to the PGA. These offsetting revenues provided a benefit to CILCO customers subject
54 to the PGA in the form of a reduction in gas charges amounting to approximately
55 \$42,000 in the year 2000.

56 Q7. Would you please describe the nature of the charge that Staff witness Anderson
57 characterized as an "unscheduled overrun penalty charge" on November 23, 2000?

58 A7. This charge refers to an invoice from a pipeline supplier, NGPL, for Delivered Storage
59 Service plus balancing fees equal to \$1.47 per dekatherm pursuant to its FERC tariffs.

60 It is definitely not a penalty charge, which under NGPL tariffs equal \$10.00 per
61 dekatherm. ~~The charge represents the FERC-approved rate for service that CILCO~~
62 ~~occasionally must utilize when scheduled deliveries exceed the capability of~~
63 ~~equipment to receive the gas. CILCO witness Maas provides further information~~
64 ~~regarding the circumstances that caused the charge to be reasonably incurred.~~

65 Q8. Does this complete your prepared rebuttal testimony?

66 A8. Yes, it does.